



## AUDIT COMMITTEE

<b>Subject Heading:</b>	Annual Governance Statement 2017/18
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<b>Policy context:</b>	This report presents the 2017/8 Annual Governance Statement to note and for comment.
<b>Financial summary:</b>	N/A

### The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

### SUMMARY

This report provides the background for the requirement to produce an Annual Governance Statement (AGS).

The report will update the Committee on progress against the significant governance issues monitored during 2017/18, the status of these issues and the new issues arising from the 2017/18 AGS for monitoring in 2018/19.

**RECOMMENDATIONS**

1. To note the contents of and comment on the 2017/18 Annual Governance Statement, attached as Appendix 1.

**REPORT DETAIL**

1. The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
2. The Annual Governance Statement is prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of the internal auditors and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit opinion set out in the internal audit annual report forms a key element of the review, as does the Council's work on risk and performance management.
4. The Annual Governance Statement covers all significant corporate systems, process and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:
  - the Council's policies are implemented in practice;
  - high quality services are delivered efficiently and effectively;
  - the Council's values and ethical standards are met;
  - laws and regulations are complied with;
  - required processes are adhered to;
  - financial statements and other published performance information are accurate and reliable; and
  - human, financial, environmental and other resources are managed efficiently and effectively.
5. The AGS is required to disclose any issues that the Council consider to be significant governance issues. The five significant governance issues identified in the 2016/17 Annual Governance Statement were:

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- Scheme of Delegation (LB Havering);
- Commissioning and Contracts (including compliance with procurement rules);
- Mercury Land Holdings (MLH);
- Projects and Programme Governance; and
- Information Technology and Information Governance

These significant issues have been closed, since the Governance and Assurance Board concluded that sufficient action to address the issues has been taken during the year.

Four new issues have been raised during 2017/18 and will be addressed during 2018/19. These four issues are:

- Corporate Project Management Office (PMO) and Economic Development Programme;
- Financial Regulations;
- Delivery of a Balanced Budget; and
- Information Governance - GDPR

6. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer (Chief Executive) and member (Leader) signing the statement on behalf of the Council. The Audit Committee is required as part of its role to consider any corporate governance related issues that need to be referred to the Governance Committee for review.
7. The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.
8. The AGS for 2017/18 is attached as appendix 1. This is the version that has been signed by the Chief Executive and Leader and included in the Statement of Accounts. It is currently with the external auditors for review. If any amendments are made to the AGS as a result of the external review an updated version will be provided prior to Audit Committee.

### **IMPLICATIONS AND RISKS**

**Financial implications and risks:**

There are no financial implications arising directly from commenting on/agreeing the Annual Governance Statement. However implementation of the planned actions set out in the AGS may have financial implications. The expectation is that these will be contained within existing resources. Where this is not the case issues will be raised through the appropriate channels.

Failure to produce a robust AGS could result in adverse comments from the Council's External Auditors.

**Legal implications and risks:**

The Authority is statutorily obliged to conduct a review into the effectiveness of its systems of internal control prepared in accordance with proper practices and to prepare an Annual Governance Statement, which must be approved by the relevant committee (Regulation 6 Accounts and Audit Regulations 2015). Approval of the Annual Governance Statement (subject to any comments on the draft) complies with that requirement.

**Human Resources implications and risks:**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

**Equalities implications and risks:**

None arising directly from this report.

**BACKGROUND PAPERS**

N/A